

Group profit and loss account

for the year ended 31st March 1982

	Notes	1982 £m	1981 £m
Sales		1487.4	1373.8
Trading profit	2	116.6	117.7
Share of profit of associated companies		2.6	.9
		119.2	118.6
Investment income	3	3.8	6.3
Interest payable	4	(2.8)	(2.4)
Currency translation gain (loss) on net current assets	5	4.5	(1.1)
Profit before taxation		124.7	121.4
Taxation	6	(30.9)	(44.8)
		93.8	76.6
Attributable to minority interests		(.6)	(.4)
Profit before extraordinary items		93.2	76.2
Extraordinary items	7	(2.6)	—
Profit attributable to shareholders		90.6	76.2
Dividends	8	(30.8)	(27.2)
Profit retained	9	59.8	49.0
Earnings per share	10	25.7p	21.1p

Balance sheets

31st March 1982

	Notes	Group		Parent	
		1982 £m	1981 £m	1982 £m	1981 £m
Sources of capital					
Shareholders' interests					
Share capital	11	90.7	90.6	90.7	90.6
Reserves	12	495.9	432.2	317.1	277.2
		586.6	522.8	407.8	367.8
Borrowed money	13	13.2	13.4	9.8	9.7
Minority interests		1.9	1.6	—	—
		601.7	537.8	417.6	377.5
Employment of capital					
Fixed assets	14	397.6	340.6	99.0	84.6
Subsidiaries	15	—	—	277.9	230.3
Investments	16	53.5	50.9	49.2	48.7
Deferred taxation recoverable	17	9.0	8.2	9.0	8.2
Net current assets (liabilities)	18	141.6	138.1	(17.5)	5.7
		601.7	537.8	417.6	377.5

P. T. MAIN | Directors
P. H. COURTNEY

Approved by the board
27th May 1982

Source and application of funds

for the year ended 31st March 1982

	1982		1981	
	£m	£m	£m	£m
Source				
Group trading:				
Profit before taxation		124.7		121.4
Share of profit of associates		(2.9)		(1.3)
		<u>121.8</u>		<u>120.1</u>
Distributions from associates		.3		1.5
Depreciation less surplus on disposal of fixed assets		15.2		17.0
Disposal of fixed assets		12.9		5.0
Extraordinary item		(1.0)		—
		<u>149.2</u>		<u>143.6</u>
Issue of ordinary shares		1.0		1.9
Borrowed money		.1		.3
		<u>150.3</u>		<u>145.8</u>
Application				
Capital expenditure		82.9		66.8
Investments:				
Associates		.3		.1
Subsidiaries		1.9		1.5
Other		—		.3
		<u>2.2</u>		<u>1.9</u>
Working capital:				
Increase in stocks		25.4		28.6
Increase in debtors		11.9		6.9
Increase in creditors		(4.7)		(18.8)
		<u>32.6</u>		<u>16.7</u>
Repayment of borrowed money		.8		2.0
Payment to Boots Pension Fund		—		2.5
Dividends paid		27.2		25.3
Taxation paid		44.3		38.7
Other items		(1.0)		.2
		<u>189.0</u>		<u>154.1</u>
Decrease in net cash and short term investments		(38.7)		(8.3)
		<u>150.3</u>		<u>145.8</u>

Current cost statements

31st March 1982

	Notes	1982		1981	
		£m	£m	£m	£m
Group profit and loss account					
Sales			1487.4		1373.8
Trading profit on historical cost basis			119.2		118.6
Current cost adjustments:					
Depreciation and surplus on disposal of fixed assets		(31.1)		(23.6)	
Cost of sales		(14.2)		(19.4)	
Monetary working capital		10.0		14.0	
Associates		(3.9)		—	
			(39.2)		(29.0)
Trading profit			80.0		89.6
Gearing adjustment			.7		.3
Investment income			3.8		6.3
Interest payable			(2.8)		(2.4)
Profit before taxation			81.7		93.8
Taxation			(30.9)		(44.8)
			50.8		49.0
Attributable to minority interests		(.5)		(.2)	
Extraordinary items		(2.6)		—	
			(3.1)		(.2)
Profit attributable to shareholders			47.7		48.8
Dividends			(30.8)		(27.2)
Retained profit, dealt with in general reserve			16.9		21.6
Earnings per share			13.9p		13.5p

Group balance sheet

Shareholders' Interests:

Share capital		90.7	90.6
Current cost reserve	2	580.4	539.8
General reserve		377.2	356.4
		1048.3	986.8
Borrowed money		13.2	13.4
Minority interests		2.4	1.9
		1063.9	1002.1
Fixed assets	3	841.4	795.0
Investments		68.9	58.6
Deferred taxation recoverable		9.0	8.2
Stock		313.3	287.1
Monetary working capital		(126.2)	(121.7)
Other net current liabilities		(42.5)	(25.1)
		1063.9	1002.1

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Annual general meeting

Notice is hereby given that the annual general meeting of The Boots Company PLC will be held at The Chartered Insurance Institute, 20 Aldermanbury, London, EC2V 7HY, on Thursday 22nd July 1982 at 11.00 a.m.

(A location map is available from the Secretary on request.)

The business of the meeting will be:

(a) To receive the directors' report and statement of accounts and the auditors' report thereon.

- (b) To declare a final dividend.
- (c) To re-elect as directors
(i) Mr. P. H. Courtney
(ii) The Rt. Hon. Sally Oppenheim, P.C., M.P.
(iii) Sir Bernard Scott, C.B.E.
- (d) To re-appoint auditors.
- (e) To authorise the directors to fix the remuneration of auditors.
- (f) To transact any other business which may be dealt with at the meeting.

Notes

1. A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.
2. A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 24th June to 21st July 1982, during usual business hours, and at the venue of the meeting on 22nd July 1982 from 10.30 a.m. until the conclusion of the meeting.
3. No director of the company has a written service agreement.

By order of the board, D. N. EDMUNDSON, Secretary.
Dated this 24th June 1982.

The directors would be glad to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 10.30 a.m.

Board of directors

Chairman	P. T. Main, E.R.D., M.D.
Vice chairman	*M. J. Verey, T.D.
Managing director (<i>Industrial Division</i>)	R. N. Gunn
Managing director (<i>Retail Division</i>)	H. J. Hann
	K. Ackroyd, M.P.S.
	E. E. Cliffe, D.Phil., F.I.Biol., F.R.S.C.
	P. H. Courtney, F.C.A.
	G. M. Hourston, M.P.S.
	*A. B. Marshall
	*The Rt. Hon. Sally Oppenheim, P.C., M.P.
	*D. A. G. Sarre
	*Sir Bernard Scott, C.B.E., T.D., F.Eng.
	G. R. Solway
	B. H. C. Theobald
	*Non-executive directors and members of audit committee

Secretary	D. N. Edmundson
Registrar	F. Collins
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank PLC

Group highlights

for the year ended 31st March 1982

		% change over prior year †
Sales	£1487.4m	+ 8.3
*Industrial Division	£ 263.0m	- 0.5
Retail Division	£1336.0m	+ 10.5
Trading profit	£ 119.2m	+ 0.5
Industrial Division	£ 49.4m	+ 16.5
Retail Division	£ 63.8m	- 17.4
Profit before taxation	£ 124.7m	+ 2.7
Profit attributable to shareholders	£ 90.6m	
Earnings per share	25.7p	
Dividends to shareholders	£ 30.8m	
Retained in the business	£ 59.8m	
Capital expenditure	£ 82.9m	

*Including sales to Retail Division.

†Prior year included nine months of Agrochemical sales that are now within an associate's accounts. Adjusting for this, group sales increased by 11.0% and Industrial Division sales by 13.9%.

Statement by the Chairman



Dr. Peter Main—Chairman

In my first report to shareholders I should like to start by paying tribute to Sir Gordon Hobday, my predecessor, who retired on 31st December 1981. He joined the Company in 1939 and in the course of a distinguished career he was elected a Director in 1955 and Chairman in 1973. We are all indebted to him for the great contributions which he made to our affairs, and in expressing our thanks we wish him and Lady Hobday every happiness in the future.

Despite the severe economic recession in the UK and in many parts of the world in which we operate, the Company increased its sales by 8.3% in 1981 to £1487.4 million. Group profits before tax were £124.7 million, an increase of 2.7% over last year.

It has not been an easy year for the Retail Division with sales up 10.5% but profits down 17.4%. High unemployment, a fall in real disposable income and fierce

competition in the High Street partly explain a disappointing result. At the half year we said that the Division's performance for the year would depend to a large extent on the important Christmas trading period. Shareholders will recall the exceptionally severe winter weather which affected shopping before and after Christmas. Our sales of gift merchandise were particularly badly hit. Nevertheless, counter sales by Boots The Chemists increased by just over 8% of which 2% was real growth, price inflation accounting for just over 6%. This was about half the level of the increase in the national Retail Price Index. We have continued to bear a heavy burden of external costs—particularly onerous are the increases in rates and in public sector charges. We have continued our programme to raise productivity in shops and we have achieved further success whilst striving to improve personal service to our customers.

Timothy Whites, our houseware chain, had a sales increase of more than 12% with a commendable real growth of 8%. Price inflation in Timothy Whites had dropped by the year end to just 2%. This chain too was affected by the poor weather during the Christmas shopping period and sales in the fourth quarter have been disappointing. Timothy Whites has also suffered from the external cost problems which I mentioned when dealing with the larger chain.

The Retail Division's overseas trading has been affected by local economic problems but it is pleasing to be able to report that there has been an improvement in Canada where we have greatly reduced trading losses, particularly in Eastern Canada, despite a severe winter. Although the Canadian economy remains depressed, we look forward to making further progress and anticipate becoming profitable in 1982 albeit at a fairly modest level.

The Industrial Division has continued to make substantial progress as we anticipated when we reported on the half year. Despite operating in a depressed UK economy and in many countries affected by world recession, the Division has increased its profits by 16.5%.

Pharmaceuticals have performed well in the UK and in many overseas countries. Our own brand of ibuprofen, known as Brufen in the UK, has been launched by our company, Boots Pharmaceuticals Inc., as Rufen in the USA and early results are encouraging. This must be good news from the largest pharmaceutical market in the world.

A feature of the Industrial Division's business is the growing importance of the subsidiary and associated companies overseas. We have strengthened our representation on the ground in Spain, the USA and Malaysia and replaced old manufacturing facilities in France by a new factory at Valenciennes. These investments demonstrate our commitment to the international side of our business and to exporting.

Our Consumer Products business has continued to expand at home and overseas and we see this as an area for strategic growth, not only through our

own retail outlets but through the marketing of consumer products to third parties in this country and abroad.

We have over 1,400 sites in the UK and overseas, and in accordance with our policy of continuous review of operations there is a pattern of property turnover. This normally gives rise to a net surplus on the disposal element, which varies appreciably from year to year, and in the year under review £9.2 million from this source is not included in the Divisional results, but is within Group trading profits.

The Board agreed last year to increase the level of the Company's contribution to the Pension Fund in order to allow it to continue to provide a degree of protection against inflation for pensions in payment. The cost of this additional support was £5 million in the year.

The recession and our own efforts to improve productivity have inevitably affected our ability to offer employment opportunities during the year under review. We are sympathetic however to the efforts being made both nationally and locally to foster job

creation, especially for the young. We have been able to assist with some of these initiatives, not only financially but also by the secondment of senior managers. We have at present over eight hundred young people involved in Work Experience Programmes and, when permanent job opportunities have occurred, we have tried to employ as many as possible on the completion of their programmes.

We are firmly committed to employee consultation and participation. This year we are again producing a separate staff report on the year and copies of this are available to shareholders on request. For the third successive year we have prepared an audio-visual production of our annual results for viewing by local staff councils and other groups of employees.

Mr. P. H. Courtney joined the Company from The Rank Organisation Plc on 1st February 1982 and was appointed to the Board as Finance Director. The Rt. Hon. Sally Oppenheim, P.C., M.P., was appointed to the Board as a Non-Executive Director on

26th March 1982. Mrs. Oppenheim was until recently Minister of State for Consumer Affairs, and her background and considerable experience will be of great benefit to the Company.

I welcome Mrs. Oppenheim and Mr. Courtney, and I believe these appointments will strengthen the Board for the benefit of shareholders, staff and customers.

I am conscious of the great honour which the Board has bestowed on me in electing me as sixth Chairman of the Company and, with the backing of a strong Board and an excellent staff, I am looking forward to doing all I can to improve the Company's prosperity. Despite the problems we have suffered, I believe that we are coming through this recession in a much healthier state and I am hopeful that the worst may now be over. I ask for the support of shareholders in the challenging days which lie ahead.

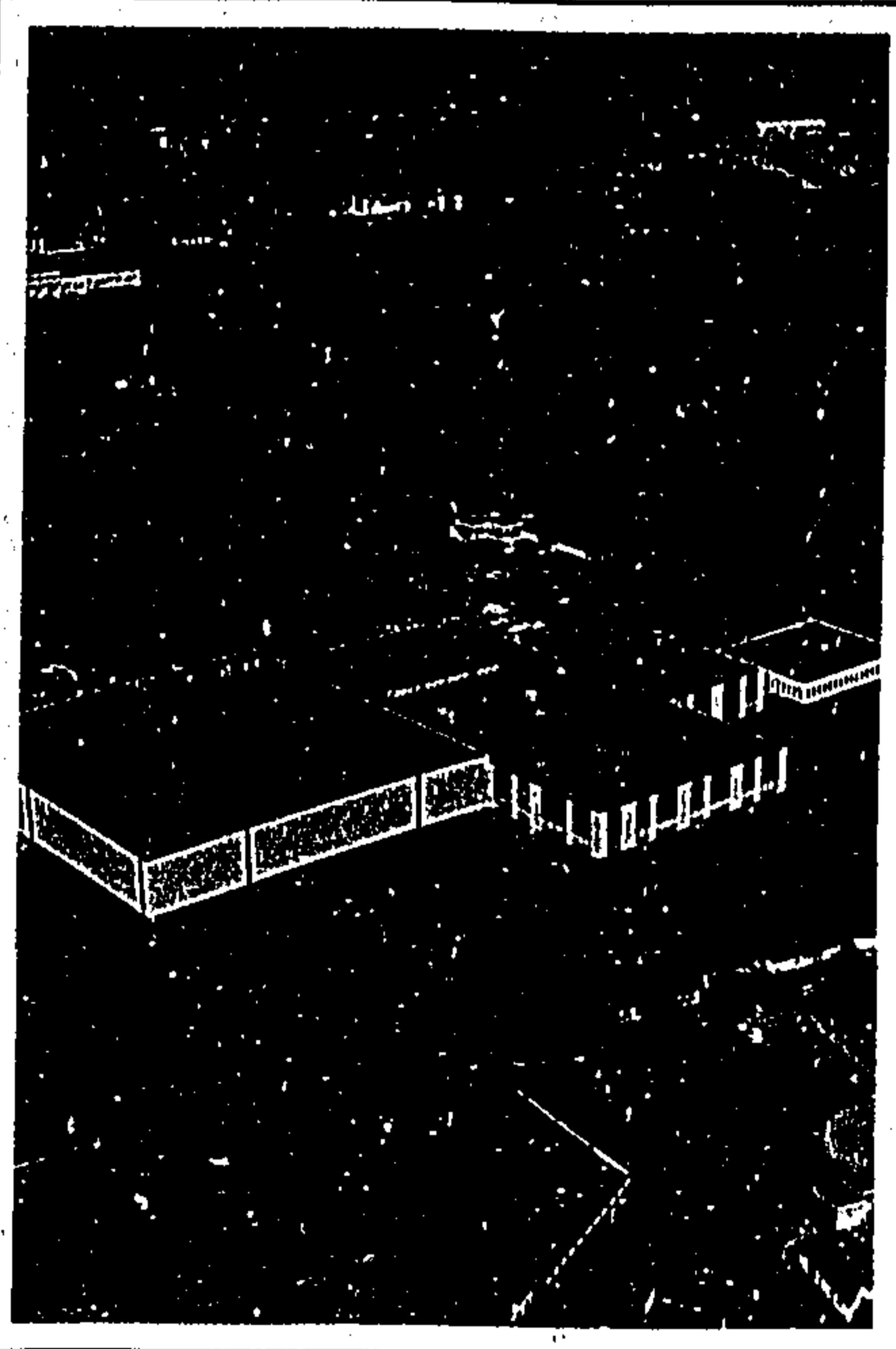
Lastly, our staff at home and overseas have responded well to the difficulties which we have encountered during the last year. I thank them all for their efforts.



Newly extended Boots The Chemists branch in Queen Street, Cardiff.



*Mr. H. J. Hann, Managing Director, Retail Division
Mr. R. N. Gunn, Managing Director, Industrial Division with the Chairman.*



*Laboratoires Boots-Dacour.
New pharmaceutical factory in Valenciennes, France.*

Review of the year Retail Division

Divisional Board

H. J. Hann, *Managing Director (Chairman)*
 K. Ackroyd, M.P.S.
 J. W. Berry
 D. Cargill
 D. Happs, M.P.S.
 A. B. McInnes, M.P.S.

A. R. Ripley
 B. H. C. Theobald
 D. A. R. Thompson, F.C.A.
 B. Uttley, M.P.S.
 R. D. Wroughton, F.P.S.
 J. D. Wykes, M.P.S.

Divisional Results

	1982		1981	
	Sales (excl. VAT) £m	Trading profits £m	Sales (excl. VAT) £m	Trading profits £m
UK	1237.3	65.9	1134.7	79.6
Overseas	98.7	(2.1)	74.6	(2.4)
	1336.0	63.8	1209.3	77.2

United Kingdom

There is a general consensus amongst economic forecasters that the UK recession touched its lowest point during the first half of 1981 and that the country has now embarked upon a slow but hesitant recovery; however most retailers, including ourselves, encountered difficult trading conditions throughout the year. Unemployment continued to climb, reaching post war record heights and real disposable income fell as private industry met with some success in reducing the level of wage increases. When combined with the high level of interest rates and public sector pricing policy, it is perhaps surprising that retail sales held up reasonably well in volume terms. For our part we again succeeded in increasing the volume of merchandise sold through our shops despite this adverse economic environment and also adverse weather conditions which affected seasonal business.

Naturally against this background competition on the High Street remained fierce. Unlike the monopolistic organisations in the public sector, we have had to react to these intense pressures by restraining price increases with the result that, at around 6% our own level of price inflation was little more than half that of the national Retail Price Index.

The implications of these tougher trading conditions are clear for development and job opportunities. We have for some time been pursuing a policy of concentrating resources to improve the efficiency of our current operation and evidence of continued success is to be seen throughout the Division. In our warehouses, fewer staff have handled the increased throughput and in our branches there has been a further productivity gain. Investment funds are to some extent being directed away from the building of further new shops towards projects designed to reduce costs and improve efficiency. An example is the decision taken during the year to construct a new warehouse on our Beeston site at a cost exceeding £10 million which, by enabling the disposal of a number of leased warehouses, will generate considerable operating benefits. We are determined that we shall continue to achieve real sales growth whilst finding further ways of reducing the level of those expenses under our control and progress is expected on these matters during 1982.

Boots The Chemists

For the year as a whole counter sales increased by 8% of which 2% was real growth and 6% inflation. Within this annual figure the rate of inflation in our own prices virtually halved

during the course of the year—from over 9% in April 1981 to under 5% in March 1982.

Bad weather has had an exceptionally adverse effect on our sales, with a very poor summer being followed by two bouts of severe winter weather, before and after Christmas. In all cases we lost significant amounts of seasonal sales with the impact on our vital Christmas gift business being particularly damaging. In common with other retailers we were, however, pleased to experience some recovery in sales in March.

During the year we have strengthened a number of our merchandise ranges to good effect. We relaunched our own budget range of 17 cosmetics with great success and extended our interest in the speciality food market with 'An Original Recipe'—a Boots Brand range of high quality preserves, chutneys and mustards. Appropriately in the Year of the Disabled we have launched a comprehensive range of Boots Aids to Personal Independence

for those whose mobility is restricted in various ways.

In the photographic processing market we have recaptured market share lost in the previous year, but at a significant reduction in profit margin. Another important initiative in the leisure market has been a total relaunch of our Boots Brand wine and brew range this spring, which should help us to consolidate our position as market leaders supplying this increasingly popular leisure activity.

We dispensed on average one million NHS prescriptions per week and increased our market share slightly despite the closure of a number of smaller branches. However, profit from this significant aspect of the business continues to be of concern and we estimate that current profit as a proportion of sales is only about half the figure of seven years ago.

Continued attention to the organisation of staff in the shops has enabled us to reduce the number of people employed there by rather more than 3%

notwithstanding the increase in sales volume mentioned previously. This improvement in productivity follows similar gains in the two preceding years.

Our development programme has been pursued and 19,000 sq. m. of selling space has been added. Important extensions have been completed to our branches in Cardiff, St. Albans, Telford, Newcastle-under-Lyme and we have also opened major new branches in Chesterfield, Durham, Peterborough, Tunbridge Wells, Wood Green and Maidstone. The sales area of the new branch in Maidstone is almost four times that of the old premises. The opportunity has been taken to strengthen the departmental identity to give a 'shop within a shop' effect. Special features of the branch include enhanced Fashion and Audio/Visual Departments as well as the Sports Department which is now a feature in fifteen of our larger shops.

In Northern Ireland, following our decision to make further investment



Boots The Chemists—Maidstone, a major new branch opened in August 1981.



The Audio Department—Maidstone.

Review of the year Retail Division

there, new branches have been opened in Newtownabbey and Bangor. A further three branches will be opened this year.

The costs of our developments have been reduced by better planning and control: in particular the co-operation of contractors and our own staff has enabled shorter time scales to be achieved. We now have over 460,000 sq. m. of sales area, 60% more than we had eight years ago. The opportunity to derive benefit from this maturing sales area is particularly gratifying since fewer development opportunities are coming forward and the ever rising burden of rates, rents, service charges and the cost of public utilities is making it very difficult to achieve profitable new schemes.

Timothy Whites

Annual sales increased by over 12% of which about 8% was real growth and 4% inflation. By the end of March, Timothy Whites price inflation had dropped to a mere 2% compared with the same month a year earlier.

The year started strongly, but sales of picnic and outdoor leisure merchandise suffered from the poor summer and the second quarter was particularly disappointing. The strength of demand for small electrical appliances throughout the autumn boosted sales volume and contributed significantly to the success of our Christmas business, as did this year's catalogue, many of which were distributed door-to-door. Had it not been for the arctic weather, the Christmas result would have been even better than the 19% increase achieved.

Our success in selling small electrical appliances has been a mixed blessing. On the credit side, it fuelled the relatively high real growth rate mentioned above—and also resulted in The Boots Company being awarded the title of 'Electrical Retailer of the Year' for performance in Timothy Whites and Boots The Chemists. On the debit side, however, the increasing proportion of our sales in this

predominantly low margin merchandise had an adverse effect on the overall profit margins of the chain.

Five new branches have been opened in the course of the year in prime sites in Poole, Exeter, Manchester, Cardiff and Redditch; in due course these will make a contribution to profits.

Overseas

Our fourth year of operation in Canada can best be described as one of achievement and solid performance by both management and staff. The economy in Canada was strong during the first half of 1981; however, after mid-year it weakened very quickly. In spite of this, we ended the year with significantly improved results and an enhanced position in the market place. In Ontario and Manitoba sales in a 52 week financial year compared to 53 weeks in 1980, showed an increase of 14% and this, coupled with an improvement in margin and continued stringent control of expenses, resulted in a very substantial reduction in trading loss. In Western Canada the sales increase for the year of nearly 20% represented a significant market share gain. Due to the tight control of operating expenses, coupled with the higher sales volume, the losses from the retail side of the Western Company almost halved from 1980. A detailed study of Wholesaling in Western Canada demonstrated that significant economies could be made by closing the wholesale business and consolidating the warehousing, distribution and finance functions with those in Toronto and a decision to do so was taken. The move has been successfully accomplished on schedule and without disruption of supply to the stores. Merchandise ranges have continued to expand particularly in the Own Brand field. N°7 cosmetics, introduced in the last quarter of the previous year have had an encouraging first year during 1981. Own Brand ranges will continue to develop and will represent a growing proportion of sales during 1982. The Canadian economy shows little promise for growth but we expect to add a further

The Cosmetic Department at the new Maidstone branch.

nine stores and hope to make a modest profit during 1982.

In New Zealand the sales increased by 26% and there was a marked improvement in profit.

Our French company, trading as Sephora, increased its sales by 54%. Two new stores were opened during the year making five in all. Trading losses have been reduced in spite of the cost of the new openings and substantial improvements are expected during 1982.



An Original Recipe—a selection of high quality foods, inspired by yesterday's traditions, made with natural ingredients.



The No. 7 Special Collection skin care range, developed by chemists in the Boots skin care laboratories, was this spring complemented by the inclusion of a range of elegant colour cosmetics.

Review of the year Industrial Division

Divisional Board

R. N. Gunn, <i>Managing Director (Chairman)</i>	J. W. Lewin
E. E. Cliffe	T. G. Richardson
A. H. Hawksworth	K. T. Robinson
R. A. Johnson	J. H. Wilson
S. A. B. Kipping	I. A. Hawtin, <i>Secretary</i>
B. Lessel	

Divisional Results

	1982		1981	
	Sales £m	Trading profits £m	Sales £m	Trading profits £m
UK and Export	194.6	38.9	204.4	33.9
Overseas	86.3	7.9	74.3	7.6
Less: Sales within the Division	(17.9)	—	(14.5)	—
	263.0	46.8	264.2	41.5
Share of profit of Associates	—	2.6	—	.9
	263.0	49.4	264.2	42.4

The Industrial Division is involved in the research and development, manufacturing and worldwide marketing of the Company's range of pharmaceuticals, consumer products, speciality chemicals and agrochemicals (the last through FBC, our joint company with Fisons).

In the year under review, the world economic climate has been difficult, but in all the circumstances the Division has made substantial progress. Total sales were 0.5% below last year, with agrochemical sales excluded following the formation of FBC as an associated company. Sales of pharmaceuticals, consumer products and chemicals increased by 13.9%. Divisional profit, including our share of FBC, increased by 16.5%.

Our two main business areas, pharmaceuticals and consumer products, both performed well and our international manufacturing and marketing capability has been strengthened. In May 1982 we acquired the remaining half of the equity in the Spanish company, Laboratorios Liade, which thus becomes a wholly owned subsidiary. We have also acquired Generic Pharmaceutical Corporation, a small manufacturing company in New Jersey,

USA, which supplies the anti-gout product, Lopurin, to our US company, Boots Pharmaceuticals Inc. We have taken minority shareholdings in two small manufacturing companies in Malaysia, one concerned with pharmaceuticals and the other with cosmetics and toiletries.

Research and Development

Development work has led to further approvals to market Brufen for the relief of various painful conditions, such as dysmenorrhoea and dental pain. Applications have been made, some of which are now granted, to market a high strength tablet which will provide the medical profession with greater flexibility in prescribing. In the USA a large programme of clinical trials on Froben has proceeded satisfactorily and an application to market will be made in the near future, although the granting of approval may take many months. Zorprin, a new sustained-release form of aspirin, has been developed by our US company for prescription use. The product is being test-marketed. Two products have been obtained under licence. One for the treatment of angina is still being assessed and another for the treatment of peptic ulcer will be marketed in a small

number of European markets starting in 1982.

Our West German company, Technochemie, has developed a new resin which has potential for use in reinforced laminated plastics resistant to high temperatures and this product will be developed further.

The new laboratory for the development of consumer products mentioned in last year's report is now fully operational and is one of the largest laboratories of its type in this country. Amongst the products developed by the food section are Crunch n' Slim and An Original Recipe. The presentation of the 17 cosmetic range has been improved and new products added as part of the relaunch of the brand. An important aspect of the work is research on skin and the development of skin care products, of which a hand and nail cream, Complete Care, was marketed during the year by Crookes Products. Several other new products are currently being developed and assessed.

Manufacturing

Strenuous efforts continue to improve the efficiency of our various factories which produce a large and varied product range and we are pleased with the productivity gains which have been achieved. We are also pleased that, despite the large increases in the price of energy and other services, our overall cost inflation has been only 6% over the past year, well below the general rate of inflation.

Progress on the new flurbiprofen plant at Cramlington has been good and the project is ahead of schedule.

Overseas, the new pharmaceutical factory and warehouse at Valenciennes in Northern France were completed on time and production has been transferred from the old premises near Paris.

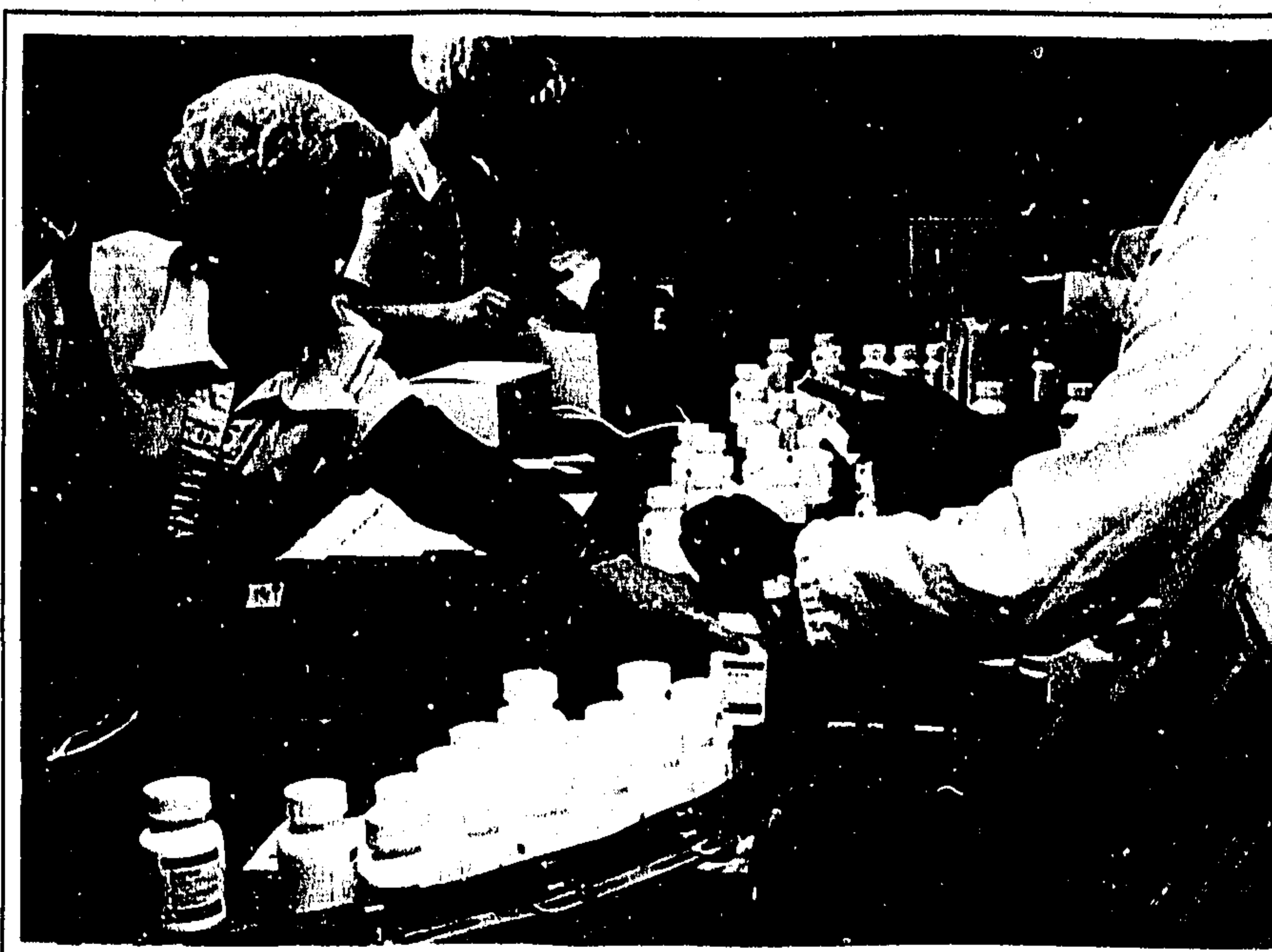
Pharmaceuticals

Sales showed an increase of 16% nearly all of which came from volume growth.

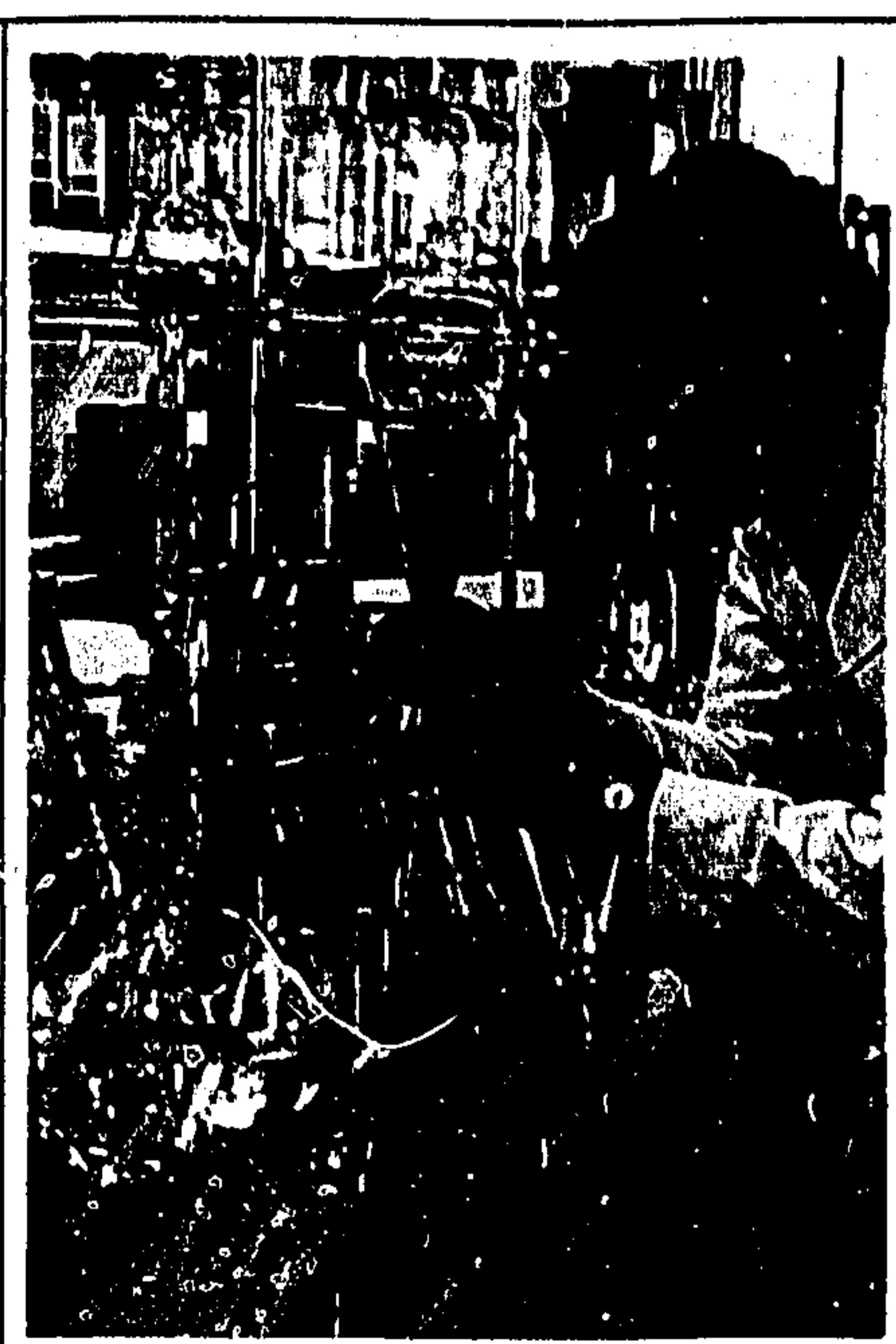
All our major prescription products performed well in the UK, producing

a sales increase of 9%. Our two antirheumatic products, Brufen and Froben, in their different market segments showed some growth against severe competition from new products, whilst Prothiaden has become the most commonly prescribed anti-depressant product. With effect from the beginning of March, we obtained price increases under the Industry/Government Pharmaceutical Price-Regulation Scheme, which have been applied to Brufen, Prothiaden and our dental anaesthetic, Lignostab. These are the first price increases on these products for several years. They will have a beneficial effect on our UK business, although they have made very little contribution to the year just ended. Last year we were granted an extension of our Froben patent by the UK Patents Court, in recognition of the long development time required for this product.

Boots Hospital Products supplying British hospitals with a range of sterile fluids, including Steriflex, Polyfusor



Rufen production at Boots Pharmaceuticals Inc., Shreveport, USA.



Chemical laboratory in the new research unit established in The Boots Company (India) Ltd., Bombay.

Review of the year Industrial Division

and Flowfusor, showed a commendable sales increase of 30% in line with our plans to develop this sector of our business.

Export sales to our agents, distributors and licensees decreased. Our US licensee purchased less ibuprofen, although we continue to receive significant royalties. In Europe, there were poor sales performances in West Germany, Greece and Portugal and there were also difficulties in maintaining business in Eastern Europe. The level of business to Japan has been maintained and sales to the Middle East showed growth, despite a severe reduction of business to Iran resulting from currency restrictions.

In contrast to sales of direct exports, overseas companies produced generally good results. Boots Pharmaceuticals Inc. in the USA launched our own brand of ibuprofen, known as Rufen, as forecast in last year's report and the initial sales have exceeded expectations. We believe this company will play an important part in the growth of our pharmaceutical business and the sales increase of 65% last year supports this view.

Subsidiary and associated companies in Europe had a good year, with a sales increase of over 30%. Froben was the main contributor to satisfactory performance for our companies in Belgium and Spain, whilst Boots-Dacour in France enjoyed another excellent year, helped particularly by large sales of Esberiven for the treatment of venous insufficiency.

In other areas of the world our companies recorded mixed results. Australia, India and Pakistan, in spite of restricted trading environments, continued their growth, but in South Africa we experienced manufacturing problems, particularly with insulin supplies and corrective action is in hand.

Consumer Products

During the year under review we have put considerable emphasis and resources behind the growth of our consumer products business and the performance, particularly in our

priority markets of the UK and Europe, has been very encouraging. Total sales increased by 13%. Our strategy is to consolidate and expand existing products, such as Strepsils and Sweetex, to rejuvenate certain long-standing brands, such as the nasal decongestant Karvol, and to develop and market new products, particularly in the health care, toilet and dietary food sectors.

Results of these efforts are beginning to appear in the UK where sales by our subsidiary, Crookes Products Limited, increased by over 17%. This growth has been achieved by a programme of new product introduction, combined with improving market shares for Strepsils and Sweetex, both of which are market leaders. In February, 1981, we launched a new natural slimmer's meal replacement bar, Crunch n' Slim, which achieved sales of over £1 million in the year, although distributed to only two-thirds of the country. In October, we introduced a new multivitamin product, Crookes One-a-Day, and in January, 1982, the new hand and nail cream, Complete Care. We are also test-marketing a soap with an entirely new moisturising formulation under the brand name, Gentle. These additions to our inventory in the UK give us a strong foundation from which to expand our business, both at home and overseas.

In Europe, our strategy has started to prove successful and sales of consumer products in our overseas companies increased by 47% in the year under review. The principle reasons for the significant expansion are the growth of Strepsils in all markets following strong advertising and promotional support, and the establishment of our cosmetic range, An Original Formula. These two products have been responsible for growth rates of 82% in France, 51% in Italy, 46% in Ireland and 26% in Holland.

Elsewhere, our consumer products business in Kenya, South Africa and the Philippines grew by over 20% in each market. Our associated company

Work on colour cosmetics in the new Consumer Products Development laboratories.

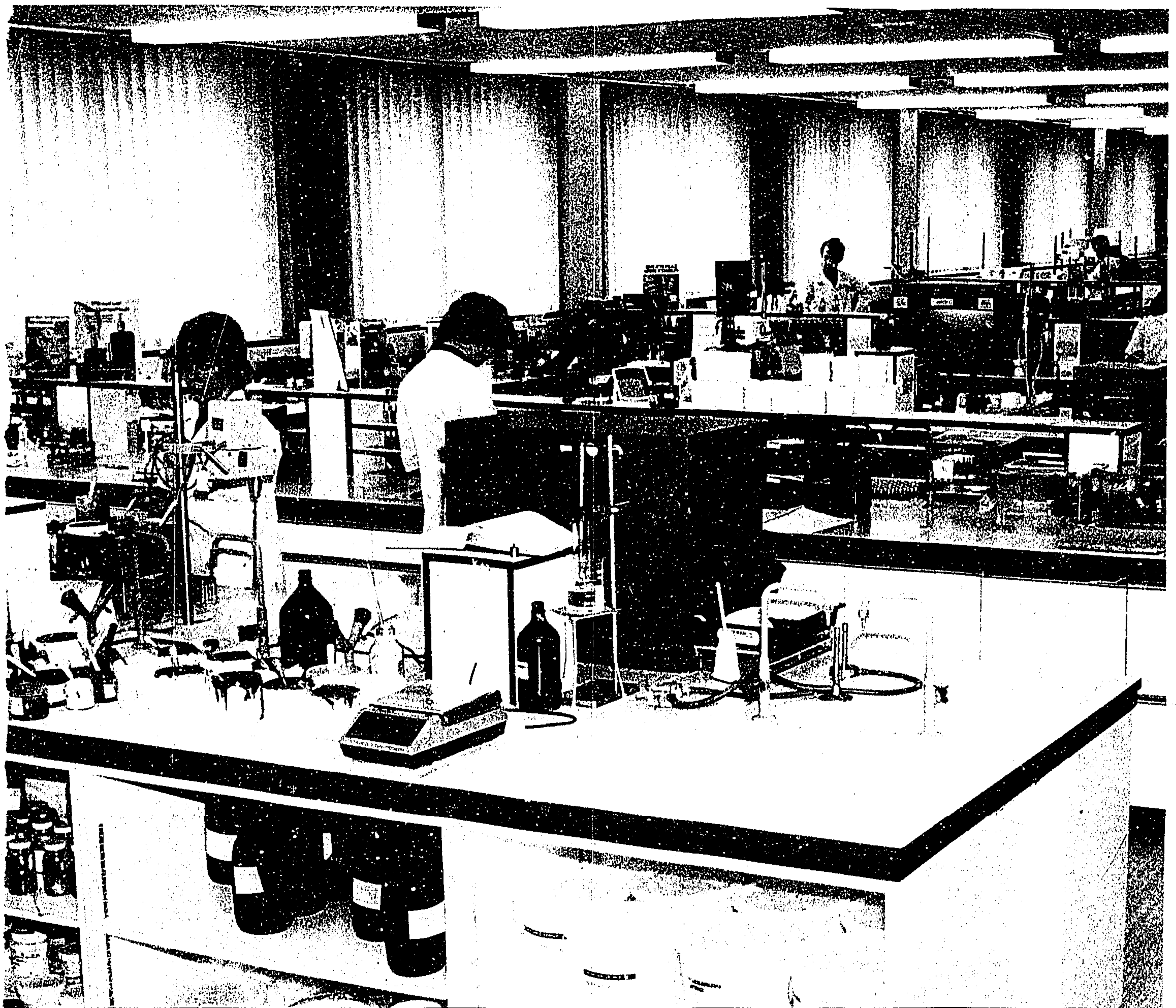
in Nigeria had a very poor year with many local problems, but in the early months of 1982 some improvement has been achieved.

Our contract marketing business has had a record year with a sales increase of 21%. Performance has been strong in the manufacture of medicines, toothpastes and soaps on behalf of major retailing and marketing companies. This increasing production flow through our factories is making an important contribution to overhead recovery and profits.

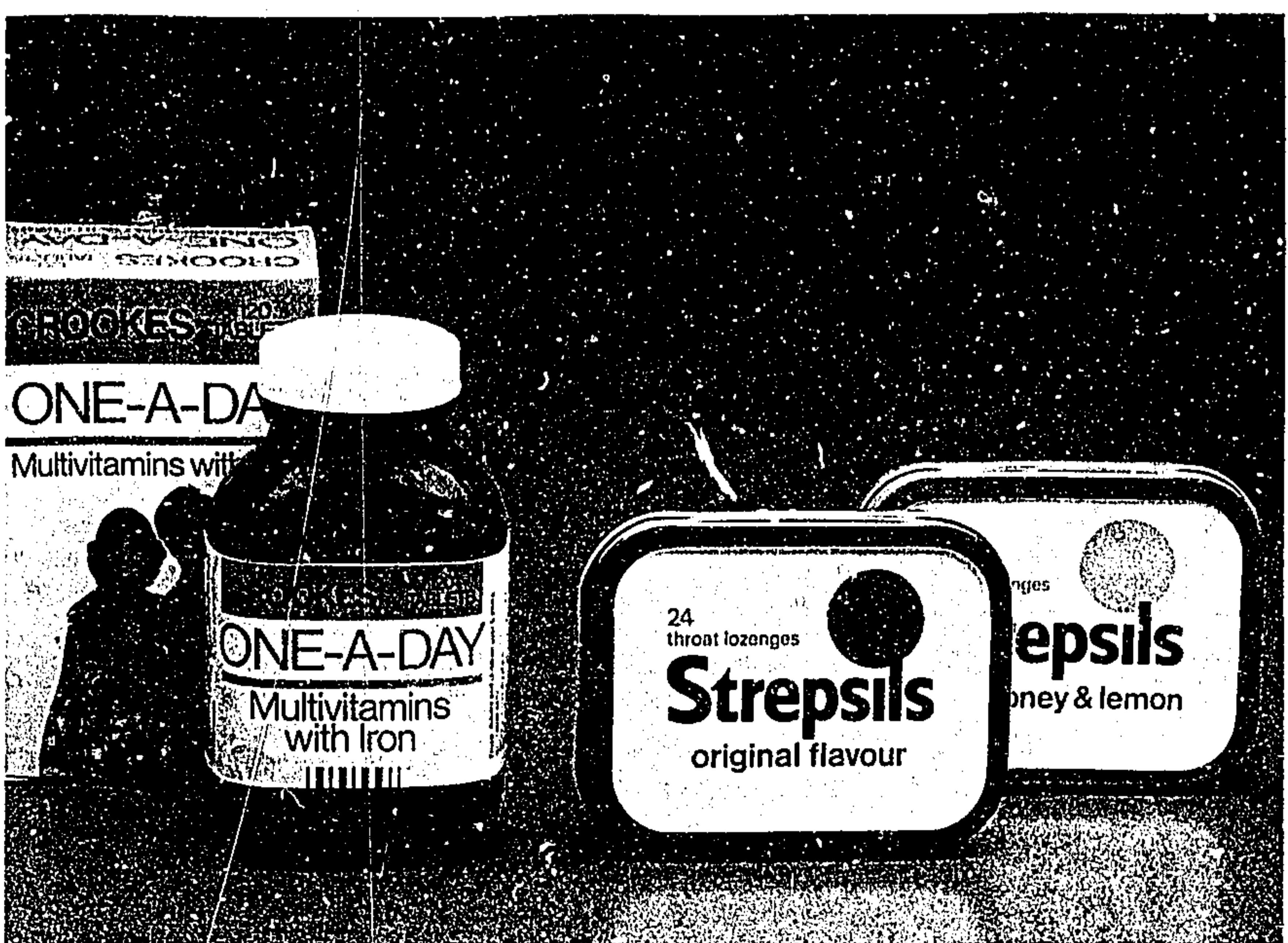
A large part of the Industrial Division's consumer products business is still in the manufacture and sale of Boots own brands to the Retail Division. In the year, the sale of these products increased by 12% and with a generally low level of cost inflation, this represented very satisfactory progress, particularly as a favourable sales mix resulted in an excellent profit performance. The major brands in the area, Boots medicines, N07 and 17 cosmetics, all gained market share following recent relaunches.

Agrochemicals

Our agrochemical business is now conducted through our associated company, FBC Holdings Limited, which we own jointly with Fisons. During its first year, FBC met very depressed trading conditions in the UK, but overseas the stronger international presence of the Boots/Fisons combined operation demonstrated the considerable advantages of the arrangement.



Crunch n' Slim -- A slimmer's meal replacement formulated entirely from natural ingredients with added vitamins and minerals.



Two more popular newly advertised consumer products—Crockes-One-a-Day and Strepsils.



Directors' report

The Boots Company Ltd. re-registered as The Boots Company PLC on 15th March 1982.

The directors of The Boots Company PLC present their ninety-fourth annual report to shareholders, together with the audited accounts for the year ended 31st March 1982.

Group results

The company's consolidated profit and loss account for the year ended 31st March 1982 (with 1981 comparisons) includes the following details:

	1982 £m	1981 £m
Trading profit	119.2	118.6
Profit before taxation	124.7	121.4
Profit attributable to shareholders	90.6	76.2

Further details are shown in the profit and loss account on page 18.

Appropriations

The directors recommend the payment of a final dividend of 5.625p per share which, when added to the interim dividend of 2.875p already paid, makes a total dividend for the year of 8.5p per share. The payment of these dividends requires £30.8m (1981 £27.2m), leaving £59.8m (1981 £49.0m) retained in the business.

The directors intend to reduce the present disparity between the interim and final dividends and therefore propose to increase the rate of dividend to be paid in January 1983 to 3.5p per share. This should not be taken as an indication of intention regarding the total payment for the year.

Principal activities

The principal activities of the group are retailing of chemist and other merchandise and the research, manufacturing and marketing of pharmaceuticals and consumer products throughout the world.

The research, manufacturing and marketing of agrochemicals worldwide is undertaken by FBC Holdings Ltd., an associated company jointly owned with Fisons plc.

Sales and trading profits are shown below:

	1982		1981	
	Sales £m	Trading profits £m	Sales £m	Trading profits £m
Industrial Division	263.0	46.8	264.2	41.5
Share of profit of associates	—	2.6	—	.9
Retail Division	263.0	49.4	264.2	42.4
Inter-divisional	1336.0 (111.6)	63.8 —	1209.3 (99.7)	77.2 —
Other gains (losses)	1487.4 —	113.2 6.0	1373.8 —	119.6 (1.0)
	1487.4	119.2	1373.8	118.6
Sales and related trading profits by geographical area are:				
Africa and Near East	14.2	.6	17.6	1.9
Americas	110.1	5.6	93.8	4.6
Asia	21.8	3.8	18.8	3.4
Australasia	16.5	1.8	14.6	1.7
Europe	46.2	6.9	40.1	8.2
UK	1278.6	91.9	1188.9	98.9
Share of profit of associates	1487.4 —	110.6 2.6	1373.8 —	118.7 .9
	1487.4	113.2	1373.8	119.6

Headquarters of The Boots Company situated on the main production site at Beeston, Nottingham.

Directors' report

Share capital

Details of shares issued during the year are shown in note 11 on page 23.

Fixed assets

The UK retail trading properties were valued by the directors at 1st January 1981, based on detailed assessments prepared by the company's qualified valuers. These properties, representing approximately 70% of the net book value of the group's total property portfolio, were valued at

open market value at more than £300m over historical net book value. This valuation was in line with the values used in the current cost accounts but has not been incorporated in the historical cost accounts. Details of fixed assets are shown in note 14 on page 24.

Current cost accounts

A statement of group profits prepared under the current cost accounting convention, based on SSAP16, is shown on page 30. On this basis group profit

before taxation is £81.7m (1981 £93.8m). The profit after taxation attributable to the shareholders is £47.7m (1981 £48.8m).

Employees

The average weekly number of employees in the UK during the year was 63,886 (1981 66,100) which included 27,989 part-time staff (1981 29,357). The aggregate remuneration paid to these employees was £218.8m (1981 £201.3m).

The number of overseas employees was 5,879 (1981 5,768). The 27 African employees of our South African company are paid above the SLL. Further information is available on request to the Secretary.

Disabled persons

The company recognises its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility. Thus it is the company's policy to give full and fair consideration to applications for employment from disabled persons (whether registered disabled or not). In considering such applications due regard will be given to the aptitude and ability of the individual and the requirements of the post concerned.

will continue to be employed, wherever practicable, in the same job. If, for medical reasons, this is not practicable, or is not sensible from the individual's point of view, every effort will be made to find suitable alternative employment, and appropriate training will be given.

Where an employee becomes disabled while employed by the company he or she

The company's general policy on training and promotion is to fit the qualifications and potential of each member of its staff to the appropriate job and career in the business. This policy is applied to disabled persons in the same way as to its other staff.

Charitable donations

In response to the Nottingham University centenary appeal, the company has given 10 acres of land and has covenanted to pay the sum of £250,000 under a 4 year deed of covenant. The first payment was made during the year and is included in

total donations for charitable and educational purposes in the UK for the year of £316,000 (1981 £239,000).

There were no political payments.

Directors

As reported last year, Mr. A. D. Spencer retired at the conclusion of the last annual general meeting.

The following changes in the membership of the board have taken place since the last annual general meeting.

On 1st January 1982 Dr. P. T. Main was appointed Chairman in succession to Sir Gordon Hobday who resigned from the board on his retirement from the company on 31st December 1981.

On 1st February 1982 Mr. P. H. Courtney joined the company and on that date was appointed to the board as Finance Director. Mr. Courtney was formerly Finance Director of The Rank Organisation Plc. He retires in accordance with article 107 and offers himself for re-election.

On 26th March 1982 The Rt. Hon. Sally Oppenheim, P.C., M.P. was appointed to the board as a non-executive director. Mrs. Oppenheim has been a Member of Parliament since 1970 and recently resigned as Minister of State for Consumer Affairs. She was

appointed a Privy Counsellor in 1979. She retires in accordance with article 107 and offers herself for re-election.

Sir Bernard Scott, C.B.E. retires by rotation in accordance with article 100 and offers himself for re-election.

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

The table below sets out the interests of the directors and their families in the share and loan capital of the company at 31st March 1982, including those held under the company's profit sharing and option share schemes referred to in note 11 on page 23. Holdings at 1st April 1981 are shown in brackets where they differ.

Mr. P. H. Courtney and The Rt. Hon. Sally Oppenheim, P.C., M.P. have no interests in the share or loan capital of the company.

	Number of shares beneficially held	Loan stock beneficially held
P. T. Main	3,056 (2,500)	—
M. J. Verey	7,300	—
R. N. Gunn	2,730 (2,174)	£23
H. J. Hann	3,400 (1,000)	—
K. Ackroyd	1,650 (1,200)	—
E. E. Cliffe	3,520 (1,540)	—
G. M. Hourston	1,730 (674)	—
A. B. Marshall	1,000 (—)	—
D. A. G. Sarre	1,000	—
Sir Bernard Scott, C.B.E.	2,000	—
G. R. Solway	3,702 (1,303)	—
B. H. C. Theobald	1,106 (1,000)	—

Directors' holdings at 27th May 1982 are unchanged.

Shareholders

Shareholdings range	Shareholders Number	%
1 - 500	35,388	37.8
501 - 1,000	23,718	25.3
1,001 - 10,000	32,700	34.9
10,001 - 100,000	1,537	1.6
100,001 - 1,000,000	279	.3
Over 1,000,000	53	.1
	<u>93,675</u>	

The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 27th May 1982. The largest shareholding (by an insurance company) was under 3%.

National Westminster Bank PLC hold in trust under the Boots staff share ownership scheme 271,877 shares for 2,307 employees.

Company status

The close company provisions of the Income and Corporation Taxes Act 1970

do not apply to this company

Auditors

It is proposed to re-appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and resolutions to re-appoint them and to

authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
D. N. Edmundson, Secretary,
27th May 1982.

Group profit and loss account

for the year ended 31st March 1982

	Notes	1982 £m	1981 £m
Sales		1487.4	1373.8
Trading profit	2	116.6	117.7
Share of profit of associated companies		2.6	.9
		119.2	118.6
Investment income	3	3.8	6.3
Interest payable	4	(2.8)	(2.4)
Currency translation gain (loss) on net current assets	5	4.5	(1.1)
Profit before taxation		124.7	121.4
Taxation	6	(30.9)	(44.8)
		93.8	76.6
Attributable to minority interests		(.6)	(.4)
Profit before extraordinary items		93.2	76.2
Extraordinary items	7	(2.6)	—
Profit attributable to shareholders		90.6	76.2
Dividends	8	(30.8)	(27.2)
Profit retained	9	59.8	49.0
Earnings per share	10	25.7p	21.1p

Balance sheets

31st March 1982

	Notes	Group		Parent	
		1982 £m	1981 £m	1982 £m	1981 £m
Sources of capital					
Shareholders' interests					
Share capital	11	90.7	90.6	90.7	90.6
Reserves	12	495.9	432.2	317.1	277.2
		586.6	522.8	407.8	367.8
Borrowed money	13	13.2	13.4	9.8	9.7
Minority interests		1.9	1.6	—	—
		601.7	537.8	417.6	377.5
Employment of capital					
Fixed assets	14	397.6	340.6	99.0	84.6
Subsidiaries	15	—	—	277.9	230.3
Investments	16	53.5	50.9	49.2	48.7
Deferred taxation recoverable	17	9.0	8.2	9.0	8.2
Net current assets (liabilities)	18	141.6	138.1	(17.5)	5.7
		601.7	537.8	417.6	377.5

P. T. MAIN
P. H. COURTNEY | Directors

Approved by the board
27th May 1982

Source and application of funds

for the year ended 31st March 1982

	1982		1981	
	£m	£m	£m	£m
Source				
Group trading:				
Profit before taxation		124.7		121.4
Share of profit of associates		(2.9)		(1.3)
		<u>121.8</u>		<u>120.1</u>
Distributions from associates		.3		1.5
Depreciation less surplus on disposal of fixed assets		15.2		17.0
Disposal of fixed assets		12.9		5.0
Extraordinary item		(1.0)		—
		<u>149.2</u>		<u>143.6</u>
Issue of ordinary shares		1.0		1.9
Borrowed money		.1		.3
		<u>150.3</u>		<u>145.8</u>
Application				
Capital expenditure		82.9		66.8
Investments:				
Associates	.3		.1	
Subsidiaries	1.9		1.5	
Other	—		.3	
		<u>2.2</u>		<u>1.9</u>
Working capital:				
Increase in stocks	25.4		28.6	
Increase in debtors	11.9		6.9	
Increase in creditors	(4.7)		(18.8)	
		<u>32.6</u>		<u>16.7</u>
Repayment of borrowed money		.8		2.0
Payment to Boots Pension Fund		—		2.5
Dividends paid		27.2		25.3
Taxation paid		44.3		38.7
Other items		(1.0)		.2
		<u>189.0</u>		<u>154.1</u>
Decrease in net cash and short term investments		(38.7)		(8.3)
		<u>150.3</u>		<u>145.8</u>

Notes relating to the accounts

1. Accounting policies

Basis of accounting

The group accounts are prepared under the historical cost convention adjusted for the revaluation of certain properties.

Consolidation

The accounts combine the results of the company and its subsidiary and associated companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the book value of net assets acquired has been set against reserves.

Associated companies are those companies in which the group has an equity interest of between twenty percent and fifty percent and over whose policies the group is able to exercise a significant degree of influence. The proportion of profits attributable to the group of those companies for the relevant accounting periods is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income.

In the group balance sheet associated companies are shown at cost, together with the group's share of undistributed reserves.

The accounts of all UK subsidiaries are made up to 31st March 1982, and those of associates and overseas subsidiaries are made up to 31st December 1981 in order to facilitate early presentation of group accounts. The latter accounts have been adjusted for any abnormal transactions in the intervening period. The accounts of overseas companies are translated into sterling at rates of exchange approximating to those ruling at 31st March 1982.

Gains and losses resulting from translation of net current assets of overseas subsidiaries are included in profit before taxation and those relating to fixed assets less long term liabilities are dealt with through reserves.

Sales

These comprise sales to external customers and exclude value added tax.

Depreciation

Depreciation is calculated to write off assets net of government grants by equal instalments during their expected normal lives. The maximum life assumed for buildings is eighty years, and the lives assumed for fixtures and plant vary between three and twenty years.

Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate a pension scheme under which contributions by employees and by the companies are held in a trustee administered fund separated from the companies' finances. Actuarial valuations of the fund are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Deferred taxation

No provision is made in respect of timing differences arising from accelerated capital allowances and other timing differences to the extent that such liabilities are not expected to become payable for a considerable period. Future tax recoveries relating to advance corporation tax and short term timing differences are anticipated to the extent that such recoveries are regarded as certain.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and associated companies and on capital gains which might arise from the sale of properties at values at which they are stated in the balance sheet.

Notes relating to the accounts

	1982 £m	1981 £m
2. Trading profit		
Trading profit is after charging:		
Depreciation	23.2	19.7
Profit earning bonus for staff	9.5	10.5
Computer and plant hire	3.3	2.9
Remuneration of auditors	.4	.3
and after crediting:		
Net surplus on disposal of fixed assets	8.0	2.7
With effect from 1st April 1981 company pension contributions were increased resulting in an additional charge against profits of £5.1m.		
3. Investment income:		
Listed	—	.9
Short term deposits	3.8	5.4
	3.8	6.3
Dividends of £0.3m (1981 £0.2m) were received from associates during the year.		
4. Interest payable:		
On borrowed money:		
Repayable within five years	.2	.3
Not repayable within five years	.8	.8
Bank and other short term interest	1.8	1.3
	2.8	2.4
5. Currency translation gain (loss) on net current assets		
Overseas subsidiaries	4.2	(1.1)
Share of associates	.3	—
	4.5	(1.1)
6. Taxation		
The charge on the profit of the year consists of:		
UK corporation tax at 52%	32.8	43.2
Deferred tax	.7	—
Relief for overseas taxation	(3.0)	(2.4)
Over-provision—prior years	(5.5)	(1.5)
Total UK taxation	25.0	39.3
Overseas taxation	5.3	5.2
Share of taxation of associates	.6	.3
	30.9	44.8
The taxation charge for the year has been reduced by:		
Accelerated capital allowances	11.9	11.3
Stock appreciation relief	11.0	7.5
Other timing differences	1.5	1.1
	24.4	19.9
7. Extraordinary items		
Reorganisation costs in Canada	(1.0)	—
Share of associates restructuring costs	(1.6)	—
	(2.6)	—
8. Dividends		
Interim paid of 2.875p per share	10.4	10.4
Final proposed of 5.625p per share	20.4	16.8
8.5 p per share		
	30.8	27.2

	1982 £m	1981 £m
9. Profit retained by parent company		
Attributable to shareholders	90.6	76.2
Profit retained by subsidiaries	(24.3)	(15.3)
Profit retained by associates	(.4)	(.3)
Profit of parent company	65.9	60.6
Dividends	(30.8)	(27.2)
Retained by parent company	35.1	33.4

10. Earnings per share

The calculation of earnings per share is based on earnings before extraordinary items of £93.2m (1981 £76.2m) and 362.8m (1981 361.9m) average ordinary shares in issue, weighted on a time basis.

The effect on earnings per share of full conversion of outstanding convertible US dollar bonds (and the exercise of outstanding options by employees) into ordinary shares of the company would not be material.

	1982 £m	1981 £m
11. Share capital:		
Ordinary shares of 25p each:		
Authorised	100.0	100.0
Issued and fully paid	90.7	90.6

In January 1981 shareholders approved a profit sharing share scheme enabling qualifying employees to acquire ordinary shares at market price from an existing cash bonus. During the year to 31st March 1982, 271,877 shares were issued and at that date were held in trust for 2,307 employees.

Under the terms of the savings-related share option scheme also approved by shareholders in January 1981, options may be granted enabling employees with over five years' service to subscribe for ordinary shares at approximately 90% of market price. At 31st March 1982 options exercisable from 1986 to 1988 at between 173p and 200p per share were outstanding in respect of 370,637 shares, excluding alternative options referred to below.

A maximum of 40m ordinary shares is available for these schemes.

Under an earlier share option scheme options exercisable from 1983 to 1987 at between 171p and 224p per share were outstanding at 31st March 1982 in respect of 658,533 ordinary shares. The option holders of 278,193 of these shares have the right to exercise an alternative option under the January 1981 scheme in respect of 335,499 shares.

The convertible US dollar bonds may be converted into ordinary shares of the company at a fixed price of 216p until 1993. During the year to 31st March 1982 186,772 shares have been issued in respect of \$0.8m bonds converted.

A full exercise of remaining conversion rights would require the issue of approximately 874,000 shares.

	Group 1982 £m	Parent 1982 £m
12. Reserves		
At 31st March 1981	432.2	277.2
Profit retained	59.8	35.1
Goodwill arising on acquisitions	(1.8)	—
Currency adjustments:		
Group including associates £1.1m	4.1	—
Parent	—	3.9
Revaluation of fixed assets by associate	.7	—
Share premium	.9	.9
At 31st March 1982	495.9	317.1

Reserves at 31st March 1982 include share premium of £10.5m (1981 £9.6m).

Notes relating to the accounts

	Group		Parent	
	1982 £m	1981 £m	1982 £m	1981 £m
13. Borrowed money				
Secured loans:				
3½% stock 1982	1.0	1.0	—	—
8½% stock 1978/82	.1	.1	—	—
Unsecured loans:				
6% stock 1978/83	2.1	2.1	2.1	2.1
6½% stock 1983/88	.8	.8	—	—
7½% stock 1988/93	5.7	5.7	5.7	5.7
8% stock 1986/91	1.3	1.4	—	—
6¾% convertible US dollar bonds 1993	2.0	1.9	2.0	1.9
Foreign currency	.2	.4	—	—
	13.2	13.4	9.8	9.7

(a) Repayments of borrowed money are expected within the following periods:

	1982 £m	1981 £m	1982 £m	1981 £m
One year	3.3	.5	2.1	—
One-two years	—	3.1	—	2.1
Over five years	9.9	9.8	7.7	7.6
	13.2	13.4	9.8	9.7

(b) All loans are repayable at par, except the 8% stock, which is repayable at £105 per cent.

(c) The 8% stock is partially redeemable by sinking fund.

(d) All amounts of stock purchased during the year have been cancelled.

	Group £m			Parent £m		
	Property	Fixtures and plant	Total	Property	Fixtures and plant	Total
14. Fixed assets						
Cost or valuation						
At 31st March 1981	221.2	225.6	446.8	40.4	83.3	123.7
Capital expenditure	43.1	39.8	82.9	7.5	16.4	23.9
Disposals	(4.1)	(6.6)	(10.7)	(.7)	(2.4)	(3.1)
Currency adjustments	1.5	2.0	3.5	—	—	—
At 31st March 1982	261.7	260.8	522.5	47.2	97.3	144.5
Cost	221.7	260.8	482.5	37.1	97.3	134.4
Independent valuation 1958	9.0	—	9.0	9.0	—	9.0
1959	1.0	—	1.0	—	—	—
1965	28.9	—	28.9	—	—	—
Directors' valuation 1971	1.1	—	1.1	1.1	—	1.1
	261.7	260.8	522.5	47.2	97.3	144.5
Depreciation						
At 31st March 1981	30.0	76.2	106.2	9.2	29.9	39.1
Depreciation for year	4.5	18.7	23.2	1.1	7.1	8.2
Disposals	(1.0)	(4.8)	(5.8)	—	(1.8)	(1.8)
Currency adjustments	.4	.9	1.3	—	—	—
At 31st March 1982	33.9	91.0	124.9	10.3	35.2	45.5
Net book value at 31st March 1982	227.8	169.8	397.6	36.9	62.1	99.0

	Cost or valuation £m	Depreciation £m	Net book value £m
The tenure of properties is as follows:			
Group			
Freehold land	33.7	—	33.7
Freehold buildings	156.4	21.2	135.2
Long lease	33.1	3.8	29.3
Short lease	38.5	8.9	29.6
Total	261.7	33.9	227.8
Parent			
Freehold land	2.2	—	2.2
Freehold buildings	41.1	9.7	31.4
Long lease	2.9	.4	2.5
Short lease	1.0	.2	.8
Total	47.2	10.3	36.9

Leases with more than 50 years unexpired are treated as long leases.

	1982 £m	1981 £m
15. Subsidiaries		
(a) Investments:		
At book value of net assets at acquisition	15.3	15.3
At cost less provision	36.6	31.4
	51.9	46.7
(b) Advances:		
Due from subsidiaries	242.3	197.9
Due to subsidiaries	(16.3)	(14.3)
	226.0	183.6
	277.9	230.3

(c) Investments in overseas subsidiaries are stated at local currency cost translated into sterling at the exchange rates ruling on 31st March 1982.

(d) The list of principal companies shown on page 28 forms part of this note.

	Group		Parent	
	1982 £m	1981 £m	1982 £m	1981 £m
16. Investments				
(a) Associated companies:				
Shares at cost	47.7	47.3	47.7	47.3
Group share of post acquisition reserves	4.3	2.2	—	—
(b) Listed:				
Holding in Kakenyaku Kako in Japan at cost	1.5	1.4	1.5	1.4
Market value on Tokyo Stock Exchange—£5.5m (1981 £4.3m).				
	53.5	50.9	49.2	48.7

(c) Overseas investments are stated at local currency cost translated into sterling at the exchange rates ruling on 31st March 1982.

(d) The list of principal companies shown on page 28 forms part of this note.

17. Deferred taxation recoverable				
Advance corporation tax	8.7	7.2	8.7	7.2
Tax on short term timing differences	.3	1.0	.3	1.0
	9.0	8.2	9.0	8.2

Details of deferred taxation not provided are shown in note 22.

Notes relating to the accounts

	Group		Parent	
	1982 £m	1981 £m	1982 £m	1981 £m
18. Net current assets (liabilities)				
Stocks	310.3	284.9	134.0	136.6
Debtors	90.5	78.6	60.4	55.9
Cash and short term investments	13.2	39.9	1.0	23.5
	414.0	403.4	195.4	216.0
Creditors	168.2	163.5	122.5	128.0
Bank loans and overdrafts	45.9	33.9	48.5	35.1
Taxation	37.9	51.1	21.5	30.4
Dividends	20.4	16.8	20.4	16.8
	272.4	265.3	212.9	210.3
	141.6	138.1	(17.5)	5.7
Stocks comprise:				
Manufacturing: Raw materials	22.3	18.0	16.7	13.9
Work in progress and finished goods	31.7	28.2	18.9	18.5
	54.0	46.2	35.6	32.4
Retailing	256.3	238.7	98.4	104.2
	310.3	284.9	134.0	136.6
Cash and short term investments comprise:				
Listed investments at cost (1981 market value £10.6m)	—	10.0	—	10.0
Short term deposits	9.7	24.3	.5	13.2
Cash	3.5	5.6	.5	.3
	13.2	39.9	1.0	23.5

Bank loans and overdrafts:

Bank loans and overdrafts are repayable within one year or on demand. Overdrafts of certain overseas subsidiaries amounting to £0.7m at 31st December 1981 (1980 £0.7m) were secured on the assets of those subsidiaries.

19. Pension funding

An actuarial valuation of Boots UK Pension Fund at 31st March 1980 showed a surplus of £35.0m which has been utilised to fund post-retirement pension increases for existing pensioners including those increases previously paid by the company. With effect from 1st April 1981, company pension contributions were increased on the advice of the actuaries which will make some provision for future pension increases.

	Group		Parent	
	1982 £m	1981 £m	1982 £m	1981 £m
20. Commitments				
Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	32.5	57.7	17.5	25.0
Contracts not placed	12.0	12.8	9.3	10.2
	44.5	70.5	26.8	35.2

21. Contingent liabilities

At 31st March 1982 these are:

- (a) Guarantees and uncalled capital relating to subsidiaries £0.8m (1981 £1.9m).
(b) Other guarantees and contingencies arising in the normal course of business.

	Group		Parent	
	1982 £m	1981 £m	1982 £m	1981 £m
22. Deferred taxation				
The potential amounts of deferred taxation calculated at 52% not provided in these accounts are as follows:				
Accelerated capital allowances	88.6	75.9	43.1	34.3
Capital gains taxation rolled over	7.0	4.9	.2	.3
Other items	(2.1)	(1.2)	(2.0)	(1.5)
	93.5	79.6	41.3	33.1

	1982 £000	1981 £000
23. Remuneration of directors and senior UK employees		
(a) Remuneration of directors:		
Fees	35	30
Other remuneration	563	553
Payments to former directors	64	118
	662	701

(b) The remuneration of the chairman and highest paid director was £69,000 of which £20,000 related to his period as chairman. The remuneration of the former chairman for a 9 months' period was £35,000. For last year the remuneration of the chairman was £41,000 and of the highest paid director £60,000.

(c) An analysis of remuneration (excluding pension contributions) of directors and UK employees earning over £20,000 in the year is shown below.

		Numbers	
		1982	1981
Directors:	£65,001 — 70,000	1	—
	£55,001 — 60,000	—	1
	£50,001 — 55,000	2	1
	£45,001 — 50,000	—	1
	£40,001 — 45,000	—	2
	£35,001 — 40,000	4	1
	£30,001 — 35,000	1	4
	£25,001 — 30,000	1	—
	£5,001 — 10,000	5	3
	£1 — 5,000	2	1
Employees:	£35,001 — 40,000	1	—
	£30,001 — 35,000	4	1
	£25,001 — 30,000	35	11
	£20,001 — 25,000	58	61

Auditors' report

to the members of The Boots Company PLC

We have audited the accounts on pages 18 to 28 in accordance with approved Auditing Standards.

In our opinion the accounts set out on pages 18 to 28 which have been prepared on the basis of the accounting policies set out on page 21, give a true and fair view of the state of affairs of the company and of the group at 31st March 1982 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost statements set out on pages 30 and 31 have been properly prepared, in accordance with the accounting policies and methods set out on page 31, to give the information required by Statement of Standard Accounting Practice No. 16.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham

27th May 1982

Principal Companies

		Percentage held by parent	Percentage held by subsidiaries	Principal activities
	Parent The Boots Company PLC			Manufacturing, marketing and distribution of pharmaceuticals and consumer products
	Subsidiaries (incorporated in Great Britain)			
	Boots The Chemists Ltd.	100		Retail chemists
	Boots Pure Drug Co. Ltd.	100		Management company
	Boots International Ltd.	100		Management company
	Timothy Whites PLC	100		Retail houseware
	Whites Property Co. Ltd.		100	Property holding
	Crookes Products Ltd.	100		Marketing consumer products
	Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia	The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium	The Boots Company (Belgium) S.A.		100	Marketing
Canada	Boots Drug Stores (Holdings) Ltd.		100	Wholesale and retail chemists
France	Laboratoires Boots-Dacour S.A.	92.5		Manufacturing and marketing
	Beauté Hygiene et Soins S.A.	100		Retailing of cosmetics and toiletries
Holland	The Boots Company (Holland) B.V.	100		Marketing
India	The Boots Company (India) Ltd.	53		Manufacturing and marketing
Ireland	The Boots Company (Ireland) Ltd.	100		Marketing
Italy	Boots-Formenti S.p.A.	55		Marketing
Kenya	The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
New Zealand	Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan	The Boots Company (Pakistan) Ltd.	56.5		Manufacturing and marketing
Philippines	The Boots Company (Philippines) Inc.	100		Marketing
Singapore	The Boots Company (Far East) Pte. Ltd.	100		Marketing
South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Tanzania	K.O.C. (Tanzania) Ltd.		100	Manufacturing and marketing consumer products
Thailand	The Boots Company (Thailand) Ltd.	100		Marketing
	The Boots Manufacturing Co. (Thailand) Ltd.	100		Manufacturing
USA	Boots Pharmaceuticals Inc.		100	Manufacturing and marketing pharmaceuticals
	Generic Pharmaceuticals Inc.		100	Manufacturing pharmaceuticals
West Germany	Technochemie GmbH Verfahrenstechnik	100		Manufacturing speciality chemicals
Zimbabwe	The Boots Company (Zimbabwe) (Pte.) Ltd.	100		Marketing

All the above shares held are ordinary shares. In addition the group owns 30.4% of the preferred shares in Boots Drug Stores (Canada) Ltd., and 100% of the preferred shares in Boots Drug Stores (Western) Ltd., subsidiaries of Boots Drug Stores (Holdings) Ltd.

		Issued share capital	Percentage held	Principal activities
	Associated companies			
Great Britain	FBC Holdings Ltd.	3,000 ordinary shares of £1 fully paid	50	Manufacturing, wholesaling and retailing of agrochemicals worldwide
Malaysia	Raza Manufacturing S.B.	1,100,000 Malaysian dollars fully paid	49	Manufacturing pharmaceuticals
	Cosmaceutics S.B.	550,000 Malaysian dollars fully paid	30	Manufacturing cosmetics and toiletries
Nigeria	The Boots Company (Nigeria) Ltd.	6,000,000 ordinary shares of 50 kobo fully paid	40	Manufacturing and marketing
Spain	Laboratorios Liade S.A.	167,208 ordinary shares of 1,000 pesetas fully paid	50	Manufacturing and marketing

Unless otherwise indicated all the companies operate principally in the country of incorporation.

Group financial record

	1982		1981		1980		1979		1978	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales										
Industrial Division:										
UK and exports	194.6		204.4		198.6		178.0		155.4	
Overseas	86.3		74.3		65.7		60.2		52.6	
Intra-divisional	(17.9)		(14.5)		(16.1)		(16.2)		(14.0)	
		263.0		264.2		248.2		222.0		194.0
Retail Division:										
UK	1237.3		1134.7		980.5		858.5		743.0	
Overseas	98.7		74.6		63.0		48.5		14.2	
		1336.0		1209.3		1043.5		907.0		757.2
Inter-divisional		(111.6)		(99.7)		(89.6)		(76.0)		(67.4)
Total		1487.4		1373.8		1202.1		1053.0		883.8
Profits										
Industrial Division:										
UK and exports	38.9		33.9		34.0		30.2		31.2	
Overseas	7.9		7.6		8.0		11.0		9.1	
Share of profit of associates	2.6		.9		.9		—		—	
		49.4		42.4		42.9		41.2		40.3
Retail Division:										
UK	65.9		79.6		73.4		69.1		60.3	
Overseas	(2.1)		(2.4)		(3.2)		(1.8)		(.1)	
		63.8		77.2		70.2		67.3		60.2
Interest and other net income		11.5		1.8		8.2		4.5		6.5
Profit before taxation		124.7		121.4		121.3		113.0		107.0
Taxation		(30.9)		(44.8)		(39.9)		(35.6)		(33.3)
Profit after taxation		93.8		76.6		81.4		77.4		73.7
Minority interests/ extraordinary items		(3.2)		(.4)		2.2		(.8)		(.7)
Dividends		(30.8)		(27.2)		(25.4)		(21.4)		(10.6)
Funds retained										
Profit retained	59.8		49.0		58.2		55.2		62.4	
Depreciation	23.2		19.7		17.3		13.3		12.7	
		83.0		68.7		75.5		68.5		75.1
Capital expenditure										
Industrial Division	24.7		18.1		15.5		20.0		14.9	
Retail Division	58.2		48.7		46.3		36.2		25.2	
		82.9		66.8		61.8		56.2		40.1
Sources of capital										
Share capital and reserves	586.6		522.8		474.3		410.0		349.0	
Borrowed money	13.2		13.4		15.5		54.8		34.8	
Other sources	1.9		1.6		5.8		8.5		11.2	
		601.7		537.8		495.6		473.3		395.0
Employment of capital										
Fixed assets	397.6		340.6		306.3		266.2		224.0	
Investments	53.5		50.9		18.1		17.8		1.0	
Deferred taxation	9.0		8.2		2.6		4.5		7.2	
Net current assets	141.6		138.1		168.6		184.8		162.8	
		601.7		537.8		495.6		473.3		395.0
Other statistics										
Earnings per share	25.7p		21.1p		22.5p		21.6p		20.5p	
Dividend per share	8.5p		7.5p		7.0p		6.0p		3.0p	
Dividend cover	2.9		2.8		3.3		3.6		6.9	
Profit after taxation as % of capital employed (note 1)	15.6		14.2		16.4		16.4		18.7	

Notes

1. The book value of the group's property which amounts to 38% of the capital employed is, in the opinion of the directors, substantially below its current value (see page 16).
2. This table has been revised to reflect the change in deferred taxation policy in 1979. No retrospective amendments have been made in respect of changes in policy regarding depreciation (1979).

Current cost statements

31st March 1982

Notes	1982		1981	
	£m	£m	£m	£m
Group profit and loss account				
Sales		1487.4		1373.8
Trading profit on historical cost basis		119.2		118.6
Current cost adjustments:				
Depreciation and surplus on disposal of fixed assets		(31.1)		(23.6)
Cost of sales		(14.2)		(19.4)
Monetary working capital		10.0		14.0
Associates		(3.9)		—
		(39.2)		(29.0)
Trading profit		80.0		89.6
Gearing adjustment		.7		.3
Investment income		3.8		6.3
Interest payable		(2.8)		(2.4)
Profit before taxation		81.7		93.8
Taxation		(30.9)		(44.8)
		50.8		49.0
Attributable to minority interests		(.5)		(.2)
Extraordinary items		(2.6)		—
		(3.1)		(.2)
Profit attributable to shareholders		47.7		48.8
Dividends		(30.8)		(27.2)
Retained profit, dealt with in general reserve		16.9		21.6
Earnings per share		13.9p		13.5p

Group balance sheet

Shareholders' interests:

Share capital		90.7		90.6
Current cost reserve	2	580.4		539.8
General reserve		377.2		356.4
		1048.3		986.8
Borrowed money		13.2		13.4
Minority interests		2.4		1.9
		1063.9		1002.1
Fixed assets	3	841.4		795.0
Investments		68.9		58.6
Deferred taxation recoverable		9.0		8.2
Stock		313.3		287.1
Monetary working capital		(126.2)		(121.7)
Other net current liabilities		(42.5)		(25.1)
		1063.9		1002.1

Notes relating to current cost statements

1. Accounting policies

Depreciation and surplus on disposal of fixed assets

The adjustment represents the additional charge against profits as a result of depreciating and recalculating surplus on disposal of fixed assets on estimated current cost rather than on historical

cost. It has been calculated using the appropriate retail and industrial indices, prepared by the Central Statistical Office. Asset lives have not been reassessed.

Cost of sales

The adjustment represents the difference between the historical manufacturing or purchase cost and the estimated

current cost of goods at the date of sale as derived from the group's costing systems.

Monetary working capital

The adjustment allows for the effect of price changes on the monetary working capital needed to support operating capability.

Monetary working capital is negative and comprises creditors less the aggregate of debtors and cash floats.

Gearing adjustment

This reduces the depreciation, cost of sales and monetary working capital adjustments by the proportion of

finance provided other than as shareholders' funds calculated on a current cost basis.

Valuation of assets

Land has been revalued by the directors with assistance from the company's internal qualified valuers. Other fixed assets and stock have been revalued using the same methods as for depreciation and cost of

sales adjustments. Investment in FBC Holdings Ltd. has been valued at 50% of current cost of net assets. Other investments are stated at directors' valuation.

Overseas companies

Overseas subsidiaries have generally calculated their adjustments using local indices or information available from their own costing systems. Gains and losses

resulting from translation of net assets of overseas subsidiaries are not included in current cost profits.

Other policies

The other accounting policies used in the current cost statements are unchanged

from those stated on page 21.

2. Current cost reserve

	£m	£m
At 31st March 1981		539.8
Revaluation surpluses:		
Property	(3.4)	
Fixtures and plant	23.7	
Investments	11.6	
Stocks	14.9	
		46.8
Monetary working capital		(10.0)
Gearing adjustment		(.7)
Currency adjustments		4.5
At 31st March 1982		580.4

3. Fixed assets

	Property £m	Fixtures and plant £m	Total £m
At 31st March 1982:			
Current cost	755.2	494.6	1249.8
Depreciation	161.2	247.2	408.4
Net current cost value	594.0	247.4	841.4
At 31st March 1981	568.1	216.9	795.0

4. Comparative figures

Comparative figures have been restated following a revision of Government

indices but have not been adjusted to a common price basis.

Directors and officers of principal subsidiaries

Boots The Chemists Ltd.	Chairman	H. J. Hann		
	Directors	K. Ackroyd, M.P.S. C. C. Biggar D. J. Budge, M.P.S. S. R. Burdon, M.P.S. D. Cargill K. J. Cole, M.P.S. P. H. Courtney J. Craig, M.P.S. J. G. Davies, M.P.S. P. L. M. Davies, M.P.S. D. N. Edmundson A. K. Fox, M.P.S.	M. Gibson A. B. Groves D. Happs, M.P.S. J. M. Hobson, M.P.S. G. M. Hourston, M.P.S. K. Jervis, M.P.S. J. Joffe, F.P.S. J. P. Lewis, M.P.S. A. B. McInnes, M.P.S. M. Owens, F.P.S. J. A. Prescott, M.P.S.	A. P. Ridley-Thompson A. R. Ripley B. Silverman, F.P.S. I. M. Smellie G. R. Solway D. M. Taylor, M.P.S. B. H. C. Theobald D. A. R. Thompson B. Uttley, M.P.S. R. D. Wroughton, F.P.S. J. D. Wykes, M.P.S.
	Secretary	I. A. Hawtin		
Timothy Whites PLC	Chairman	H. J. Hann		
	Directors	K. Ackroyd, M.P.S. J. W. Berry	E. A. Cleaver M. F. Ruddell	B. H. C. Theobald
	Secretary	I. A. Hawtin		
Boots Pure Drug Co. Ltd.	Chairman	R. N. Gunn		
	Directors	C. Beastall A. S. Beidas G. Buxton J. B. Carnell E. E. Cliffe	R. E. Collard, F.P.S. A. E. Davis, F.P.S. A. H. Hawksworth G. M. Hourston, M.P.S. S. A. B. Kipping	S. Pierce N. Reeves Joyce M. Savage T. S. Simpson J. H. Wilson
	Secretary	I. A. Hawtin		
Boots International Ltd.	Chairman	R. N. Gunn		
	Directors	S. S. Adams E. C. Bosworth J. W. Buckler, M.B. E. E. Cliffe P. H. Courtney J. David	I. A. Hawtin R. A. Johnson B. Lessel J. W. Lewin P. R. Lyon	H. R. Malhotra Barbara D. Marsh, M.B. T. G. Richardson K. T. Robinson G. A. Turnbull, M.P.S.
	Secretary	I. A. Hawtin		

Financial calendar

Dividend and interest payments

Ordinary dividends

Final 1981/82:
Announced 27th May 1982.
Payable 22nd July 1982.

Interim 1982/83:

Announced 25th November 1982.
Payable 12th January 1983.

Final 1982/83:

Proposed mid-May 1983.
Payable mid-July 1983.

6% loan stock interest:

Paid 30th June, 30th September,
31st December and 31st March.

6½% loan stock interest:

Paid 1st September and 1st March.

7¾% loan stock interest:

Paid 30th September and 31st March.

8% loan stock interest:

Paid 31st July and 31st January.

6¾% bond interest:

Paid 1st August.

Results

For half-year:

Announced 25th November 1982.

For the year:

Announced mid-May 1983.

Report and accounts:

Circulated mid-June 1983.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 40p and £100 6% loan stock was £90.37½.

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